

June 30, 2003

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Room 1647-S  
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RE: GIPSA Study on Marketing Methods in the Livestock and Red Meat Industries;  
Federal Register Notice May 30, 2003, pages 32455-32458

The Iowa Farm Bureau Federation (IFBF) is the largest general farm organization in the state of Iowa representing more than 152,000 member families. Our membership includes the majority of livestock producers in Iowa. Farm Bureau members are very concerned about the livestock marketing system in the U.S. as its fair, equitable and efficient operation directly affects our members' livelihoods each and every day.

IFBF believes that the basic framework outlined by GIPSA is appropriate, as far as it goes. The framework provides the basic structure in which to undertake a study of this magnitude. However, IFBF believes that the GIPSA study should include several other areas of the livestock marketing chain that are of vital interest to those that sell livestock. Specifically, we request that GIPSA expand the scope of this study to encompass the following items:

- 1) the effects of packer ownership on market performance and price discovery.
- 2) the effects of "terms of contracts" on market performance and price discovery.
- 3) clarify and distinguish between the market effects of captive supplies and packer ownership.
- 4) clarify how retail pricing affects the price received by the producer. This should also entail a thorough study of the factors influencing fluctuations in the farm-wholesale and farm-retail price spreads.
- 5) explore possible ways to strengthen anti-trust laws so that they better protect producers from monopsony practices.
- 6) investigate how packers use captive supplies to influence spot market prices and marketing contract prices taking into account that regional and species differences exist pertaining to percentages of captive supplies and cash markets.
- 7) investigate alternative pricing mechanisms which are not easily manipulated so that producers will have a more transparent and effective way to price livestock.

There has been discussion about developing a Committee on Competitiveness within USDA. This Committee should consist of various agricultural organizations, more specifically those representing producers most affected by agricultural marketing practices. IFBF encourages USDA to establish such a Committee and to have this Committee play an integral part in the oversight of this study. In addition to the Peer Review Committee suggested by GIPSA this Competitiveness Committee could aid in providing GIPSA with guidance as to what aspects of the industry should be studied as well as providing guidance on methodologies that are appropriate for study of livestock industry structure and market operations.

IFBF is also concerned about the mechanics of the study. A number of studies related to livestock marketing have been done by experts specializing in agricultural economics and livestock marketing systems in the past decade. Through these studies, we have learned many valuable lessons about how to proceed with a study as extensive as the proposed study. Failure to include or take advantage of this extensive base of knowledge and expertise in the proposed GIPSA study would most likely result in a study that would be lacking in substance and content. We strongly urge GIPSA to include agricultural economists from our prestigious Land-Grant Colleges as either primary researchers or on the peer review panel. The following economists are ones that we recommend to GIPSA as having appropriate credentials and expertise:

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In addition, GIPSA already has experience with such studies. In 1996 GIPSA completed the study "Concentration in the Red Meat Industry", commonly referred to as the "Red Book." The framework with which GIPSA went about obtaining researchers and overseeing the study was the correct way to do such a study. We encourage GIPSA to repeat this model as the successful way to proceed with this study.

We do not oppose GIPSA utilizing university business schools as resources for this study. In fact, we urge GIPSA to fully utilize all of the resources that exist within our universities and research organizations to design and execute this study. We believe that would involve experts from within agriculture, agricultural researchers, as well as business schools. All of these can bring useful information to the table. We would caution GIPSA to not allow any single approach to be imposed upon the study. Inappropriate model specification or methodology is likely to result in misinterpretation of data and the very real possibility of missing important details unique to agricultural markets.

IFBF appreciates this opportunity to submit these comments and we look forward to working with GIPSA as this study progresses.

Sincerely,

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